

## INTRODUCTION: Exchange Stabilization Fund

To stabilize the exchange value of the dollar, the Exchange Stabilization Fund (ESF) was established under the Gold Reserve Act of January 30, 1934 (31 U.S.C. 5302), which authorized establishment of a Treasury Department fund to be operated under the exclusive control of the Secretary, with approval of the President.

Subsequent amendment of the Gold Reserve Act modified the original purpose somewhat to reflect termination of the fixed exchange rate system.

Resources of the fund include dollar balances, partially invested in U.S. Government securities, *special drawing rights* (SDRs), and balances of foreign currencies. Principal sources of income (+) or loss (-) for the fund are profits (+) or losses (-) on SDRs and foreign exchange, as well as interest earned on assets.

• Table **ESF-1** presents the assets, liabilities, and *capital* of the fund. The figures are in U.S. dollars or their equivalents based on current exchange rates computed according to the accrual method of accounting. The capital account represents the original capital appropriated to the fund by Congress of \$2 billion, minus a subsequent transfer of \$1.8 billion to pay for the initial U.S. quota subscription to the *IMF*. Gains and losses are reflected in the cumulative net income (+) or loss (-) account.

• Table **ESF-2** shows the results of operations by quarter. Figures are in U.S. dollars or their equivalents computed according to the accrual method. "Profit (+) or loss (-) on foreign exchange" includes realized profits or losses. "Adjustment for change in valuation of *SDR holdings and allocations*" reflects net gain or loss on revaluation of SDR holdings and allocations for the quarter.

**TABLE ESF-1.--Balances as of June 30, 1997, and Sept. 30, 1997**

[In thousands of dollars. Source: Office of the Assistant Secretary of the Treasury for Management]

Assets, liabilities, and capital	June 30, 1997	June 30, 1997, through Sept. 30, 1997	Sept. 30, 1997
<b>Assets</b>			
U.S. dollars:			
Held with Treasury:			
U.S. Government securities . . . . .	15,459,633	170	15,459,803
Special drawing rights <sup>1</sup> . . . . .	10,023,471	-26,209	9,997,262
Foreign exchange and securities: <sup>2</sup>			
German marks . . . . .	5,908,391	-31,084	5,877,307
Japanese yen . . . . .	9,129,787	-466,781	8,663,006
Accounts receivable . . . . .	110,705	-2,601	108,104
Total assets . . . . .	40,631,987	-526,505	40,105,482
<b>Liabilities and capital</b>			
Current liabilities:			
Accounts payable . . . . .	162,421	-115,899	46,522
Total current liabilities . . . . .	162,421	-115,899	46,522
Other liabilities:			
Special drawing rights certificates . . . . .	9,200,000	-	9,200,000
Special drawing rights allocations . . . . .	6,801,228	-112,331	6,688,897
Total other liabilities . . . . .	16,001,228	-112,331	15,888,897
Capital:			
Capital account . . . . .	200,000	-	200,000
Net income (+) or loss (-) (see table ESF-2) . . . . .	24,268,338	-298,275	23,970,063
Total capital . . . . .	24,468,338	-298,275	24,170,063
Total liabilities and capital . . . . .	40,631,987	-526,505	40,105,482

See footnotes on the following page.

**TABLE ESF-2.--Income and Expense**

[In thousands of dollars. Source: Office of the Assistant Secretary of the Treasury for Management]

	Current quarter June 30, 1997, through Sept. 30, 1997	Fiscal year to date Oct. 1, 1996, through Sept. 30, 1997
<b>Income and expense</b>		
Profit (+) or loss (-) on:		
Foreign exchange .....	-538,442	-1,612,722
Adjustment for change in valuation of SDR holdings and allocations <sup>1</sup> .....	-53,076	-163,044
Interest (+) or net charges (-) on:		
Special drawing rights .....	33,098	125,025
U.S. Government securities .....	211,914	768,502
Foreign exchange .....	48,231	294,058
Income from operations .....	-298,275	-588,181
Net income (+) or loss (-) .....	-298,275	-588,181

<sup>1</sup> Beginning July 1974, the International Monetary Fund adopted a technique for valuing the special drawing rights (SDRs) based on a weighted average of exchange rates for the currencies of selected member countries. The U.S. SDR holdings and allocations are valued on this basis beginning July 1974.

<sup>2</sup> Excludes foreign exchange transactions for future and spot delivery.

Note.--Annual balance sheets for fiscal years 1934 through 1940 appeared in the 1940 "Annual Report of the Secretary of the Treasury" and those for succeeding years appeared in subsequent reports through 1980. Quarterly balance sheets beginning with December 31, 1938, have been published in the "Treasury Bulletin." Data from inception to September 30, 1978, may be found on the statements published in the January 1979 "Treasury Bulletin."